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Summary of Consolidated Financial Results for the First Nine Months of FY2016 (Unaudited)

(January 1, 2016 – September 30, 2016) [Japanese Standard] (Consolidated)

October 25, 2016

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 Date of filing of quarterly report to Ministry of Finance: November 10, 2016 Scheduled payment date for dividends: —
 Supplemental information: Yes
 Financial results briefing: No

(Amounts are rounded down to the nearest million yen.)

1. Consolidated financial results for the First Nine Months of FY2016 (January 1, 2016 – September 30, 2016)

(1) Consolidated income information (The percentages represent the rates of increase (decrease) compared to the corresponding prior period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First Nine Months of FY2016	241,677	(15.7)	48,487	(25.5)	49,834	(40.7)	36,825	(43.1)
First Nine Months of FY2015	286,840	19.0	65,087	35.7	84,007	74.2	64,715	86.7

(Note) Comprehensive income First Nine Months of FY2016: (1,497) million yen (-%) First Nine Months of FY2015: 36,732 million yen (-8.7%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First Nine Months of FY2016	397.24	—
First Nine Months of FY2015	698.09	—

(2) Consolidated balance sheet information

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
First Nine Months of FY2016	400,822	355,238	88.5
FY2015	429,080	371,298	86.3

(Reference) Shareholders' equity First Nine Months of FY2016: 354,528 million yen FY2015: 370,385 million yen

2. Dividend information

	Dividend per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2015	—	77.50	—	77.50	155.00
FY2016	—	77.50	—	—	—
FY2016 (Forecast)	—	—	—	77.50	155.00

(Note) Change in forecasted dividend during the period: None

3. Forecasted consolidated business performance for FY2016 (January 1, 2016 – December 31, 2016)

(The percentages represent the rates of increase (decrease) compared to the corresponding prior period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2016	325,000	(14.2)	68,000	(20.1)	65,400	(35.3)	47,500	(37.7)	512.39

(Note) Change in forecasted consolidated business performance during the period: None

*Notes

(1) Changes in significant subsidiaries during the period (Changes in specified subsidiaries due to changes in scope of consolidation): None

(2) Application of accounting treatment specific to preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and retrospective restatement

- | | |
|---|------|
| ① Changes in accounting policies in accordance with revision of accounting standards: | Yes |
| ② Changes in accounting policies other than ① above: | None |
| ③ Changes in accounting estimates: | None |
| ④ Retrospective restatement: | None |

(4) Number of shares of common stock issued

① Number of shares of common stock issued at period-end (including treasury stock):	First Nine Months of FY2016	92,720,000 shares	FY2015	92,720,000 shares
② Number of shares of treasury stock at period-end:	First Nine Months of FY2016	16,796 shares	FY2015	16,514 shares
③ Average number of shares during the period (cumulative from the beginning of the fiscal year):	First Nine Months of FY2016	92,703,345 shares	First Nine Months of FY2015	92,704,154 shares

Presentation concerning quarterly review procedures

This quarterly financial report is outside the scope of quarterly review procedures pursuant to the Financial Instruments and Exchange Act and procedures for review of quarterly financial statements pursuant to the Financial Instruments and Exchange Act were not completed as of the disclosure of this quarterly financial report.

Explanation regarding the appropriate use of forecasts of business performance and other special items

The forecasts of consolidated business performance and other forward-looking statements contained in this document are based on information currently available to the Company and certain assumptions that management believes reasonable and actual business performance may differ materially from those described in such statements due to various factors. For details of assumptions for the forecasts and other related items, please refer to Page 3 of the attached document. Shimano Inc. accepts no liability whatsoever for any direct or consequential loss arising from any use of this document.

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1. Qualitative Information on Consolidated Financial Performance for the Period under Review

(1) Results of Operations

During the first nine months of fiscal year 2016, the European economies were on a trajectory to a moderate recovery as a result of buoyant exports to regions outside the EU because of the weak euro, despite growing pessimism about the economic outlook reflecting concerns about a decline in the EU's economic status following the referendum result in favor of Brexit. In the U.S., although the business sentiment of the manufacturing industry, mainly in the energy-related sector, deteriorated temporarily, a moderate economic recovery continued owing to improvement in the labor market and personal incomes because interest rate rises remained modest.

In Japan, the labor market and personal incomes continued on a moderate recovery track. However, the Japanese economy lacked vigor because of the impact of the appreciated yen and the uncertain outlook on the world economy.

In these circumstances, inspired by our mission—"To create new value and promote health and happiness through the enjoyment of nature and the world around us"—the Shimano Group sought to attract consumers with a stream of captivating products designed to enrich the experience of cyclists and anglers around the world, and moreover attuned to the contemporary emphasis on well-being and the environment.

As a result, for the first nine months of fiscal year 2016, net sales decreased 15.7% from the same period of the previous year to 241,677 million yen. Operating income decreased 25.5% to 48,487 million yen, ordinary income decreased 40.7% to 49,834 million yen, and net income attributable to owners of parent decreased 43.1% to 36,825 million yen.

Business Segment Overview

① Bicycle Components

In Europe, bad weather in early spring greatly undermined retail sales of completed bicycles, resulting in a continuing high level of distributor inventories. However, thanks to good weather from July onward sales picked up and became brisk, leading to a remarkable progress in the adjustment of distributor inventories.

In North America, retail sales of completed bicycles remained somewhat weaker than in the same period of the previous year. However, distributor inventories of bicycles were adjusted to a lower level than in the same period of the previous year.

In China, although distributor inventories that had persisted at a high level are returning to an appropriate level, there have been no signs of recovery in retail sales of sports bicycles that have been lackluster since the previous year. Bad weather, such as heavy rain, in various regions was among the factors curbing demand.

As regards other major emerging markets, retail sales of sports bicycles in Southeast Asia, which had been robust, lost momentum. Sales in South America continued to be soft because of the economic slowdown and weak currencies.

In the Japanese market, retail sales of sports bicycles, which had been robust until the previous year, were sluggish and distributor inventories were somewhat high. Retail sales of community bicycles remained weak, continuing from the previous year.

Despite these market conditions, segment net sales for the first nine months of fiscal year 2016 achieved the initial target.

As a result, net sales from this segment decreased 18.8% from the same period of the previous year to 192,939 million yen, and operating income decreased 29.4% to 43,236 million yen.

② Fishing Tackle

The Japanese market remained buoyant owing to relatively stable weather from the beginning of the year to Obon (mid-August). Despite the temporary negative impacts of the Kumamoto earthquakes and typhoons on the fishing environment and the consumption trend, sales in Japan exceeded the level of the same period of the previous year partly due to favorable sales of the new products.

Overseas, sales in Asia were robust at the beginning of the year, supported by the weaker yen. However, sales in Asia were virtually at the same level as the previous year because retailers started adjusting inventory from the summer onward. Sales in Europe, North America, and Australia did not fully recover from the dip in the first half.

Despite these market conditions, segment net sales for the first nine months of fiscal year 2016 achieved the initial target.

As a result, net sales from this segment decreased 0.8% from the same period of the previous year to

48,443 million yen, and operating income increased 35.2% to 5,373 million yen.

③ Others

Net sales from other segments increased 1.1% from the same period of the previous year to 294 million yen and operating loss of 123 million yen was recorded, following operating loss of 119 million yen for the same period of the previous year.

(2) Financial Position

① Assets, Liabilities and Net Assets

(Assets)

Total assets as of the end of the first nine months of fiscal year 2016 amounted to 400,822 million yen (a decrease of 28,257 million yen compared with the figure as of the previous fiscal year-end). The principal factors included an increase of 2,043 million yen in buildings and structures, a decrease of 17,054 million yen in cash and time deposits, a decrease of 6,952 million yen in notes and accounts receivable-trade, and a decrease of 4,003 million yen in work in process.

(Liabilities)

Total liabilities as of the end of the first nine months of fiscal year 2016 amounted to 45,583 million yen (a decrease of 12,198 million yen compared with the figure as of the previous fiscal year-end). The principal factors included an increase of 1,399 million yen in net defined benefit liability, a decrease of 8,914 million yen in income taxes payable, and a decrease of 2,707 million yen in other current liabilities.

(Net assets)

Net assets as of the end of the first nine months of fiscal year 2016 amounted to 355,238 million yen (a decrease of 16,059 million yen compared with the figure as of the previous fiscal year-end). The principal factors included an increase of 22,456 million yen in retained earnings and a decrease of 36,611 million yen in foreign currency translation adjustments.

(3) Forecast for the Fiscal Year Ending December 31, 2016

The forecast of consolidated business performance for the full year is unchanged from the figures disclosed at the announcement of the financial results for the first half of fiscal year 2016 (on July 26, 2016).

2. Notes relating to Summary Information

(1) Changes in Significant Subsidiaries during the Period:

Not applicable.

Changes in subsidiaries other than significant subsidiaries

During the second quarter of the fiscal year ending December 31, 2016, PRO (Taiwan) Procurement Co., Ltd. was included in the scope of consolidation due to establishment.

(2) Application of Accounting Treatment Specific to Preparation of Quarterly Consolidated Financial Statements:

Not applicable.

(3) Changes in Accounting Policies, Changes in Accounting Estimates, and Retrospective Restatement:

(Changes in Significant Accounting Policies)

(Adoption of “Accounting Standard for Business Combinations” and related matters)

Effective from the first quarter of fiscal year 2016, the Company has adopted the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21 issued on September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 issued on September 13, 2013), the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7 issued on September 13, 2013), and related matters. Accordingly, the Company has changed the accounting method to record the difference arising from changes in the Company’s ownership interests in subsidiaries over which the Company retains control as capital surplus, and acquisition-related costs as expenses for the fiscal year in which they are incurred. For business combinations occurring on or after the beginning of the first quarter of fiscal year 2016, the Company has changed the accounting method to record the adjustment to the provisional acquisition cost allocation amount arising from the finalization of the tentative accounting treatment in quarterly consolidated financial statements of the quarter in which the relevant business combination occurs. Additionally, the Company has changed the presentation of net income and other items and the presentation of minority interests to non-controlling interests. In order to reflect these changes, the Company has reclassified the quarterly consolidated financial statements and the consolidated financial statements for the first nine months of the previous fiscal year and for the previous fiscal year, respectively.

The adoption of the Accounting Standard for Business Combinations and related matters is in line with the transitional treatment specified in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. The Company applies these accounting standards from the beginning of the first quarter of fiscal year 2016 onward.

The impact of this change on capital surplus at the end of the first nine months of fiscal year 2016 is immaterial.

(Change in the Depreciation Method)

Following the amendment of the Corporation Tax Act, effective from the second quarter of fiscal year 2016, the Company has adopted the “Practical Solution on a change in depreciation method due to Tax Reform 2016” (PITF No. 32, June 17, 2016). Accordingly, the Company has changed the depreciation method applied to structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

The impact of this change on operating income, ordinary income, and income before income taxes for the first nine months of fiscal year 2016 is immaterial.

3. Consolidated Financial Statements**(1) Consolidated Balance Sheets**

	(Millions of yen)	
	FY2015 As of Dec. 31, 2015	First Nine Months of FY2016 As of Sep. 30, 2016
Assets		
Current assets		
Cash and time deposits	190,210	173,156
Notes and accounts receivable-trade	36,918	29,966
Merchandise and finished goods	33,635	32,019
Work in process	20,065	16,062
Raw materials and supplies	5,916	4,918
Deferred income taxes	3,556	2,939
Others	6,230	7,504
Allowance for doubtful accounts	(247)	(256)
Total current assets	296,287	266,311
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	44,081	46,124
Machinery and vehicles (net)	22,824	21,677
Land	13,409	13,037
Leased assets (net)	57	46
Construction in progress	15,735	15,944
Others (net)	5,804	5,627
Total property, plant and equipment	101,913	102,458
Intangible assets		
Goodwill	2,501	2,085
Software	4,865	4,940
Others	5,545	5,257
Total intangible assets	12,913	12,283
Investments and other assets		
Investment securities	14,058	14,360
Deferred income taxes	903	1,910
Others	3,472	3,974
Allowance for doubtful accounts	(468)	(476)
Total investments and other assets	17,966	19,769
Total fixed assets	132,793	134,511
Total assets	429,080	400,822

	(Millions of yen)	
	FY2015 As of Dec. 31, 2015	First Nine Months of FY2016 As of Sep. 30, 2016
Liabilities		
Current liabilities		
Accounts payable-trade	11,392	10,068
Short-term loans payable	7,954	6,857
Income taxes payable	12,252	3,338
Deferred income taxes	126	80
Accrued employee bonuses	1,873	2,713
Accrued officer bonuses	216	149
Others	17,083	14,376
Total current liabilities	50,899	37,585
Long-term liabilities		
Long-term loans payable	2,068	1,409
Deferred income taxes	1,333	1,103
Net defined benefit liability	2,737	4,136
Others	744	1,349
Total long-term liabilities	6,883	7,998
Total liabilities	57,782	45,583
Net assets		
Shareholders' equity		
Common stock	35,613	35,613
Capital surplus	5,823	5,667
Retained earnings	311,244	333,701
Treasury stock	(90)	(94)
Total shareholders' equity	352,591	374,887
Accumulated other comprehensive income		
Unrealized gain (loss) on other securities	3,772	2,231
Foreign currency translation adjustments	14,021	(22,590)
Total accumulated other comprehensive income	17,793	(20,358)
Non-controlling interests	913	710
Total net assets	371,298	355,238
Total liabilities and net assets	429,080	400,822

(2) Consolidated Statements of Income and Comprehensive Income
 Consolidated Statements of Income

	(Millions of yen)	
	First Nine Months of FY2015	First Nine Months of FY2016
	Jan. 1, 2015 to Sep. 30, 2015	Jan. 1, 2016 to Sep. 30, 2016
Net sales	286,840	241,677
Cost of sales	169,379	142,951
Gross profit	117,461	98,725
Selling, general and administrative expenses	52,373	50,237
Operating income	65,087	48,487
Non-operating income		
Interest income	903	1,017
Dividend income	252	248
Foreign exchange gains	18,040	371
Others	285	400
Total non-operating income	19,482	2,038
Non-operating expenses		
Interest expenses	244	118
Others	318	573
Total non-operating expenses	562	691
Ordinary income	84,007	49,834
Extraordinary losses		
Loss on factory reconstruction	296	440
Total extraordinary losses	296	440
Income before income taxes	83,710	49,394
Income taxes-current	18,489	12,424
Income taxes-deferred	401	163
Total income taxes	18,891	12,587
Net income	64,819	36,806
Net income (loss) attributable to non-controlling interests	104	(18)
Net income attributable to owners of parent	64,715	36,825

Consolidated Statements of Comprehensive Income

(Millions of yen)

	First Nine Months of FY2015 Jan. 1, 2015 to Sep. 30, 2015	First Nine Months of FY2016 Jan. 1, 2016 to Sep. 30, 2016
Net income	64,819	36,806
Other comprehensive income		
Unrealized gain (loss) on other securities	298	(1,540)
Foreign currency translation adjustments	(28,385)	(36,763)
Total other comprehensive income	(28,086)	(38,303)
Comprehensive income	36,732	(1,497)
(Breakdown)		
Comprehensive income attributable to owners of parent	36,677	(1,326)
Comprehensive income attributable to non-controlling interests	54	(170)

(3) Notes relating to Consolidated Financial Statements

(Note concerning Assumption of Going Concern)

Not applicable.

(Note on Significant Change in the Amount of Shareholders' Equity)

Not applicable.

(Additional Information)

(Change in the discount rate of net defined benefit liability)

The Company used the discount rate of 1.1% for calculation at the beginning of fiscal year 2016. As a result of reconsideration at the end of the second quarter of fiscal year 2016, the Company judged that the change in the discount rate would have an impact on the amount of retirement benefit obligations, and changed the discount rate to 0.4%. As a result, operating income, ordinary income, and income before income taxes for the first nine months of fiscal year 2016 decreased by 1,494 million yen, respectively. The impact on the reportable segments is stated in the relevant section.

(Segment Information)

First Nine Months of FY2015 (January 1, 2015 – September 30, 2015)

1. Information on net sales and income (loss) by reportable segment

(Millions of yen)

	Reportable Segment				Adjustment	Consolidated Financial Statements
	Bicycle Components	Fishing Tackle	Others	Total		
Net sales						
1) Third parties	237,738	48,811	290	286,840	—	286,840
2) Inter-segment	—	—	—	—	—	—
Total	237,738	48,811	290	286,840	—	286,840
Segment income (loss)	61,233	3,973	(119)	65,087	—	65,087

Note: There is no difference between total segment income (loss) and operating income in the consolidated statements of income.

2. Information for loss on impairment on fixed assets, goodwill and negative goodwill, etc. by reportable segment

Not applicable.

First Nine Months of FY2016 (January 1, 2016 – September 30, 2016)

1. Information on net sales and income (loss) by reportable segment

(Millions of yen)

	Reportable Segment				Adjustment	Consolidated Financial Statements
	Bicycle Components	Fishing Tackle	Others	Total		
Net sales						
1) Third parties	192,939	48,443	294	241,677	—	241,677
2) Inter-segment	—	—	—	—	—	—
Total	192,939	48,443	294	241,677	—	241,677
Segment income (loss)	43,236	5,373	(123)	48,487	—	48,487

Notes:

- There is no difference between total segment income (loss) and operating income in the consolidated statements of income.
 - As described in (Changes in Significant Accounting Policies), following the amendment to the Corporation Tax Act, the Company changed the depreciation method applied to structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method. The depreciation method for segments has also been changed accordingly. The impact of this change on segment income for the first nine months of fiscal year 2016 is immaterial.
 - As described in (Additional Information), the Company changed the discount rate for retirement benefit liability at the end of the second quarter of fiscal year 2016. As a result of this change, for the first nine months of fiscal year 2016, segment income of the Bicycle Components Segment and for the Fishing Tackle Segment decreased by 1,076 million yen and 409 million yen, respectively, and segment loss of the Others Segment increased by 8 million yen compared with the previous method.
2. Information for loss on impairment on fixed assets, goodwill and negative goodwill, etc. by reportable segment
Not applicable.